

**NOTICE OF INTENT TO ACT UPON REGULATION
AND
HEARING AGENDA**

Notice of Hearing for the Adoption, Amendment or Repeal of Regulations of
The Department of Business and Industry, Division of Insurance

The State of Nevada, Department of Business and Industry, Division of Insurance ("Division"), (775) 687-0700, will hold a public hearing at **9:30 a.m. on April 26, 2016**, at the Division's office located at 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of the regulation(s) that pertain(s) to **chapter 686B** of the Nevada Administrative Code ("NAC").

The following information is provided pursuant to the requirements of Nevada Revised Statute ("NRS") 233B.0603 and the directives of the Governor:

LCB File No. R006-16. Force-Placed Insurance.

A regulation relating to insurance; revising certain provisions relating to filings an insurer is required to submit to the Division of Insurance of the Department of Business and Industry; and providing other matters properly relating thereto.

- (1) Why is the regulation necessary and what is its purpose? *The purpose of this regulation is to clarify that force-placed auto and homeowners' insurance are lines for which rates and rules must be filed.*
- (2) What are the terms or substance of the proposed regulation? *NRS 686B.030 exempts property and casualty insurance for business and commercial risks from rate filing requirements. Force-placed insurance is insurance purchased by a lender according to the terms of a credit transaction as a result of the borrower's failure to provide the required insurance with the cost of this coverage then being charged to the borrower. The law is silent regarding whether force-placed insurance is a personal or commercial line. It is purchased by the lender, but it covers the real or personal property of the borrower who must pay the premium. This regulation would confirm the insurance is a personal line.*
- (3) What is the anticipated impact of the regulation on the problem(s)? *Force-placed insurance has been a national concern over the last several years with the premiums for the coverage considerably higher than if the same coverage were purchased directly by the borrower. The insurance is subject to "reverse competition" whereby insurers do not compete by offering the best price but by profit sharing with the lender placing the coverage. This can result in premiums much higher than loss ratios would warrant. This regulation would enable the Commissioner to determine whether rates were adequate, not excessive, and not unfairly discriminatory.*

- (4) Do other regulations address the same problem(s)? *No.*
- (5) Are alternate forms of regulation sufficient to address the problem(s)? *No.*
- (6) What value does the regulation have to the public? *Consumers who have difficulty paying their loan payments will not be overcharged for their insurance.*
- (7) What is the anticipated economic benefit of the regulation?
- a. Public
 - 1. Immediate: *The cost of insurance for force-placed insurance is expected to drop.*
 - 2. Long Term: *The cost of insurance for force-placed insurance is expected to drop.*
 - b. Insurance Business
 - 1. Immediate: *None*
 - 2. Long Term: *None*
 - c. Small Businesses
 - 1. Immediate: *None*
 - 2. Long Term: *None*
 - d. Small Communities
 - 1. Immediate: *None*
 - 2. Long Term: *None*
 - e. Government Entities
 - 1. Immediate: *None*
 - 2. Long Term: *None*
- (8) What is the anticipated adverse impact, if any?
- a. Public
 - 1. Immediate: *None*
 - 2. Long Term: *None*
 - b. Insurance Business
 - 1. Immediate: *Negligible*
 - 2. Long Term: *Negligible*
 - c. Small Businesses
 - 1. Immediate: *None*
 - 2. Long Term: *None*

- d. Small Communities
 - 1. Immediate: *None*
 - 2. Long Term: *None*

- e. Government Entities
 - 1. Immediate: *None*
 - 2. Long Term: *None*

(9) What is the anticipated cost of the regulation, both direct and indirect?

- a. Enactment: *None*
- b. Enforcement: *None*
- c. Compliance: *None*

(10) Does the regulation establish a new fee or increase an existing fee? *There are no new fees or increases to existing fees, but insurers will have to pay a \$25 fee to submit a rate/rule filing for something that was previously not required to be filed.*

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS 233B.0608. *A survey was sent to all companies believed to write force-placed insurance in Nevada asking the anticipated impact of the regulation.*

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency. *None.*

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law. *N/A*

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions. *N/A*

Persons wishing to comment upon the proposed action of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. **Written submissions must be received by the Division on or before April 19, 2016.** If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the regulation will be on file at the State Library, 100 North Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the regulation will be available at the offices of the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, and 2501 East Sahara Avenue,

Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://leg.state.nv.us/register/>. Copies of this notice and the proposed regulation will be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary. This does not apply to a public body subject to the Open Meeting Law.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

Notice of the hearing was provided via electronic means to all persons on the agency's e-mail list for administrative regulations, and this Notice of Intent to Act Upon Regulation was posted to the agency's Internet Web site at <http://doi.nv.gov/> and was provided to or posted at the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, Nevada 89706

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, Nevada 89104

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Grant Sawyer Building
555 East Washington Avenue
Las Vegas, Nevada 89101

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

Capitol Building Main Floor
101 North Carson Street
Carson City, Nevada 89701

Nevada Department of Employment,
Training and Rehabilitation
2800 E. Saint Louis Ave.
Las Vegas, NV 89104

Nevada State Library & Archives
100 North Stewart Street
Carson City, Nevada 89701

Carson City Library
900 North Roop Street
Carson City, Nevada 89701

Churchill County Library
553 South Main Street
Fallon, Nevada 89406

Douglas County Library
P.O. Box 337
Minden, Nevada 89423

Elko County Library
720 Court Street
Elko, Nevada 89801

Esmeralda County Library
P.O. Box 430
Goldfield, Nevada 89013

Eureka Branch Library
P.O. Box 293
Eureka, Nevada 89316

Humboldt County Library
85 East 5th Street
Winnemucca, Nevada 89445

Lander County Library
P.O. Box 141
Battle Mountain, Nevada 89820

Las Vegas-Clark County Library District
7060 W. Windmill Lane
Las Vegas, NV 89113

Lincoln County Library
P.O. Box 330
Pioche, Nevada 89043-0330

Lyon County Library
20 Nevin Way
Yerington, Nevada 89447

Mineral County Public Library
P.O. Box 1390
Hawthorne, Nevada 89415

Pershing County Library
P.O. Box 781
Lovelock, Nevada 89419

Storey County Clerk
P.O. Drawer D
Virginia City, Nevada 89440

Tonopah Public Library
P.O. Box 449
Tonopah, Nevada 89049

Washoe County/Downtown Reno Library
P.O. Box 2151
Reno, Nevada 89505-2151

White Pine County Library
950 Campton Street
Ely, Nevada 89301

Members of the public who would like additional information about the proposed regulation may contact Erin Summers, Actuarial Analyst, at (775) 687-0765, or via e-mail to esummers@doi.nv.gov.

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary in writing at 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, or by calling (775) 687-0771, no later than five (5) working days before the meeting.

DATED this 23rd day of March, 2016.



BARBARA D. RICHARDSON
Commissioner of Insurance

HEARING AGENDA

The State of Nevada, Department of Business and Industry, Division of Insurance

April 26, 2016 • 9:30 a.m.

Location of Hearing:

Office of the Division of Insurance
1818 E. College Pkwy., 1st Floor Hearing Room
Carson City, NV 89706
(Division Offices located in Suite 103)

Available via Videoconference at:

Office of the Division of Insurance
2501 E. Sahara Ave., 3rd Floor Conference Room
Las Vegas, NV 89104
(Division Offices located in Suite 302)

1. **Call to Order: R005-16.**
2. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**
LCB File No. R005-16. Credit Property Experience Report.
A regulation relating to insurance; repealing a provision relating to policies of credit personal property insurance; and providing other matters properly relating thereto.
3. **Public Comment.**
4. **Adjournment: R005-16.**

5. **Call to Order: R007-16.**
6. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**
LCB File No. R007-16. Service Contracts.
A regulation relating to insurance; defining the term “incidental payment of indemnity” for the purpose of interpreting provisions of the Nevada Insurance Code relating to service contracts; and providing other matters properly relating thereto.
7. **Public Comment.**
8. **Adjournment: R007-16.**

9. **Call to Order: R008-16.**
10. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**
LCB File No. R008-16. Evidence of Insurance.
A regulation relating to insurance; revising various provisions relating to evidence of insurance; and providing other matters properly relating thereto.
11. **Public Comment.**
12. **Adjournment: R008-16.**

13. **Call to Order: R006-16.**
14. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**
LCB File No. R006-16. Force-Placed Insurance.
A regulation relating to insurance; revising certain provisions relating to filings an insurer is required to submit to the Division of Insurance of the Department of Business and Industry; and providing other matters properly relating thereto.
15. **Public Comment.**
16. **Adjournment: R006-16.**

Supporting public material for this meeting may be requested from Erin Summers, Actuarial Analyst, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, by e-mail to esummers@doi.nv.gov, or by calling (775) 687-0765. In your request, please state that you are requesting meeting materials and provide the date of the meeting.

Note: Any agenda item may be taken out-of-order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time. The Hearing Officer, within his/her discretion, may allow for public comment on individual agenda items. Public Comment may be limited to three minutes per speaker.

Members of the public are encouraged to submit written comments for the record.

We are pleased to make reasonable accommodations for attendees with disabilities. Please notify the Commissioner's Assistant, at (775) 687-0771, no later than five (5) working days before the meeting.

NOTICES FOR THIS MEETING HAVE BEEN POSTED IN ACCORDANCE WITH NRS 241 AT THE FOLLOWING LOCATIONS:

Nevada Division of Insurance, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706

Nevada Division of Insurance, 2501 E. Sahara Avenue, Suite 302, Las Vegas, Nevada 89104

Nevada State Legislative Building, 401 S. Carson Street, Carson City, Nevada 89701

Grant Sawyer State Office Building, 555 E. Washington Avenue, Las Vegas, Nevada 89101

Blasdel State Office Building, 209 E. Musser Street, Carson City, Nevada 89701

Nevada State Capitol, 101 N. Carson Street, Carson City, Nevada 89701

Nevada Dept. of Employment, Training and Rehabilitation, 2800 E. Saint Louis Avenue, Las Vegas, Nevada 89104

The State of Nevada Website (www.nv.gov)

The Nevada State Legislature Website (www.leg.state.nv.us)

The Nevada Division of Insurance Website (www.doi.nv.gov)

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R006-16

February 16, 2016

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §1, NRS 679B.130 and 686B.030.

A REGULATION relating to insurance; revising certain provisions relating to filings an insurer is required to submit to the Division of Insurance of the Department of Business and Industry; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law authorizes the Commissioner of Insurance to adopt regulations necessary for the administration of the Nevada Insurance Code. (NRS 679B.130) Existing regulations interpret subsection 2 of NRS 686B.030 as requiring an insurer to submit certain filings to the Division of Insurance of the Department of Business and Industry. (NAC 686B.505) This regulation defines “force-placed insurance” and provides that the Commissioner will interpret subsection 2 of NRS 686B.030 as requiring an insurer to file with the Division its rules, rates, policy coverage forms, endorsements, application forms and declarations pages for force-placed insurance.

Section 1. NAC 686B.505 is hereby amended to read as follows:

686B.505 **1.** The Commissioner will interpret subsection 2 of NRS 686B.030 as requiring the following filings:

~~1.1~~ **(a)** Policy coverage forms, endorsements, application forms and declarations pages for all business and commercial insurance.

~~1.2~~ **(b)** Rules, rates, policy coverage forms, endorsements, application forms and declarations pages for the following types of insurance:

~~1.2(a)~~ **(1)** Dwelling, up to 4 units;

~~1.2(b)~~ **(2)** Personal inland marine, including, but not limited to, personal watercraft;

~~((e))~~ (3) Vehicle mechanical breakdown; ~~and~~

~~((d))~~ (4) Insurance for home protection which is regulated pursuant to NRS 690B.100 to 690B.180, inclusive ~~and~~; **and**

(5) Force-placed insurance.

2. As used in this section, “force-placed insurance” means single interest or dual interest insurance that is purchased by a creditor after a transaction:

(a) For coverage against loss, expense or damage to the property used as collateral as a result of fire, theft, collision or other risk of loss that would impair the interest of the creditor or adversely affect the value of the collateral;

(b) In accordance with the terms of the credit agreement as a result of the debtor’s failure to provide the required insurance; and

(c) The cost of which is charged to the debtor.

STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE

Determination of Necessity of Small Business Impact Statement

LCB File No. R006-16

This proposed regulation clarifies that force-placed auto and homeowners insurance are lines for which rates and rules must be filed.

EFFECTIVE DATE OF REGULATION:
July 1, 2016

1. BACKGROUND

Force-placed insurance has been a national concern over the last several years with the premiums for the coverage considerably higher than if the same coverage were purchased by the borrower. The insurance is subject to "reverse competition" whereby insurers do not compete by offering the best price but by profit sharing with the lender placing the coverage. This can result in premiums much higher than loss ratios would warrant. This regulation would enable the Commissioner to determine whether rates were adequate, not excessive, and not unfairly discriminatory.

2. DESCRIPTION OF SOLICITATION

A survey was sent to all companies believed to write force-placed insurance in Nevada asking the anticipated impact of the regulation.

3. DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? (NRS 233B.0608.1)

☒ NO (answer #4)


☐ YES (skip to #5)

4. HOW WAS THAT CONCLUSION REACHED? (NRS 233B.0608.3)

A survey was sent to the twenty companies that the Division believed might write force-placed insurance in Nevada. Six of the twenty employed 150 or fewer employees and wrote force-placed insurance in Nevada. Of those six, only two stated they did not already file rates and rules for force-placed insurance with the Division. Of those two, one stated that a requirement to file rates would not impose a material burden on the company. The remaining company suggested the potential for lost revenues due to a delay in getting a new product to market.

I, Barbara D. Richardson, Commissioner of Insurance for the State of Nevada, certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses, and that the information contained in the statement above is accurate.
(NRS 233B.0608.3)

3/15/16
(DATE)


BARBARA D. RICHARDSON
Commissioner of Insurance